

PERAC AUDIT REPORT



Danvers Contributory Retirement System

JAN. 1, 2005 - DEC. 31, 2006



TABLE OF CONTENTS

Letter from the Executive Director	1
Statement of Ledger Assets and Liabilities.....	2
Statement of Changes in Fund Balances	3
Statement of Receipts.....	4
Statement of Disbursements.....	5
Investment Income	6
Schedule of Allocation of Investments Owned.....	7
Supplementary Investment Regulations	8
<u>Notes to Financial Statements:</u>	
Note 1 - Summary of Plan Provisions	9
Note 2 - Significant Accounting Policies	16
Note 3 - Supplementary Membership Regulations.....	17
Note 4 - Administration of the System	19
Note 5 - Actuarial Valuation and Assumptions.....	20
Note 6 - Membership Exhibit.....	21

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

April 11, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Danvers Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2006. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

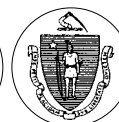
We commend the Danvers Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner James Ryan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DECEMBER 31,	
		2006	2005
Net Assets Available For Benefits:			
Cash		\$2,288,880	\$1,827,278
Short Term Investments		0	0
Fixed Income Securities		1,335,196	969,811
Equities		6,219,990	4,734,317
Pooled Domestic Equity Funds		36,662,121	35,843,351
Pooled International Equity Funds		8,824,294	6,640,404
Pooled Domestic Fixed Income Funds		28,170,041	26,819,875
Interest Due and Accrued		23,070	20,352
Accounts Receivable		57,980	49,260
Accounts Payable		(37,927)	(54,875)
Total		<u>\$83,543,645</u>	<u>\$76,849,773</u>
Fund Balances:			
Annuity Savings Fund		\$18,503,876	\$17,259,631
Annuity Reserve Fund		7,005,413	7,136,628
Pension Fund		1,442,220	2,236,465
Military Service Fund		7,325	7,110
Expense Fund		0	0
Pension Reserve Fund		56,584,811	50,209,939
Total		<u>\$83,543,645</u>	<u>\$76,849,773</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$16,323,335	\$6,943,427	\$3,385,758	\$3,899	\$0	\$45,754,034	\$72,410,453
Receipts	1,981,102	202,934	3,782,322	3,211	465,225	5,449,912	11,884,706
Interfund Transfers	(935,590)	922,558	1,007,040	0	0	(994,008)	0
Disbursements	(109,215)	(932,290)	(5,938,656)	0	(465,225)	0	(7,445,386)
Ending Balance (2005)	17,259,632	7,136,629	2,236,464	7,110	0	50,209,938	76,849,773
Receipts	1,974,497	210,416	3,666,843	214	531,773	8,242,297	14,626,040
Interfund Transfers	(653,838)	653,948	1,867,313	0	0	(1,867,423)	0
Disbursements	(76,415)	(995,579)	(6,328,400)	0	(531,773)	0	(7,932,167)
Ending Balance (2006)	<u>\$18,503,876</u>	<u>\$7,005,414</u>	<u>\$1,442,220</u>	<u>\$7,324</u>	<u>\$0</u>	<u>\$56,584,812</u>	<u>\$83,543,646</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,	
	2006	2005
Annuity Savings Fund:		
Members Deductions	\$1,779,310	\$1,620,285
Transfers from Other Systems	32,476	92,152
Member Make Up Payments and Re-deposits	47,763	67,347
Member Payments from Rollovers	13,910	106,516
Investment Income Credited to Member Accounts	<u>101,038</u>	<u>94,802</u>
Sub Total	<u>1,974,497</u>	<u>1,981,102</u>
Annuity Reserve Fund:		
Investment Income Credited to the Annuity Reserve Fund	<u>210,416</u>	<u>202,934</u>
Pension Fund:		
3 (8) (c) Reimbursements from Other Systems	50,586	42,498
Received from Commonwealth for COLA and Survivor Benefits	241,160	470,352
Pension Fund Appropriation	<u>3,375,097</u>	<u>3,269,472</u>
Sub Total	<u>3,666,843</u>	<u>3,782,322</u>
Military Service Fund:		
Contribution Received from Municipality on Account of Military Service	0	3,094
Investment Income Credited to the Military Service Fund	<u>214</u>	<u>117</u>
Sub Total	<u>214</u>	<u>3,211</u>
Expense Fund:		
Expense Fund Appropriation	197,261	195,336
Investment Income Credited to the Expense Fund	<u>334,512</u>	<u>269,889</u>
Sub Total	<u>531,773</u>	<u>465,225</u>
Pension Reserve Fund:		
Federal Grant Reimbursement	0	43,760
Pension Reserve Appropriation	0	0
Interest Not Refunded	986	1,234
Miscellaneous Income	0	0
Excess Investment Income	<u>8,241,311</u>	<u>5,404,918</u>
Sub Total	<u>8,242,297</u>	<u>5,449,912</u>
Total Receipts	<u>\$14,626,040</u>	<u>\$11,884,706</u>

STATEMENT OF DISBURSEMENTS

			FOR THE PERIOD ENDING DECEMBER 31,	
			2006	2005
Annuity Savings Fund:				
Refunds to Members			\$42,963	\$44,337
Transfers to Other Systems			<u>33,452</u>	<u>64,878</u>
Sub Total			<u>76,415</u>	<u>109,215</u>
Annuity Reserve Fund:				
Annuities Paid			995,579	932,290
Option B Refunds			<u>0</u>	<u>0</u>
Sub Total			<u>995,579</u>	<u>932,290</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments			4,176,199	3,863,768
Survivorship Payments			164,852	166,183
Ordinary Disability Payments			64,115	64,653
Accidental Disability Payments			478,258	487,761
Accidental Death Payments			164,466	164,466
Section 101 Benefits			12,000	14,500
3 (8) (c) Reimbursements to Other Systems			280,892	263,221
State Reimbursable COLA's Paid			987,618	914,104
Sub Total			<u>6,328,400</u>	<u>5,938,656</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds			<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend			0	0
Salaries			72,577	74,143
Legal Expenses			0	566
Travel Expenses			627	175
Administrative Expenses			12,302	14,253
Management Fees			360,913	291,834
Custodial Fees			24,999	24,354
Consultant Fees			46,700	46,700
Service Contracts			9,253	8,735
Fiduciary Insurance			<u>4,402</u>	<u>4,465</u>
Sub Total			<u>531,773</u>	<u>465,225</u>
Total Disbursements			<u>\$7,932,167</u>	<u>\$7,445,386</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2006	2005
Investment Income Received From:		
Cash	\$106,728	\$69,418
Short Term Investments	0	0
Fixed Income	41,109	26,692
Equities	75,574	345,333
Pooled or Mutual Funds	1,683,428	1,509,899
Commission Recapture	0	0
Total Investment Income	<u>1,906,839</u>	<u>1,951,342</u>
Plus:		
Realized Gains	1,887,856	3,230,930
Unrealized Gains	8,511,146	4,498,432
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>23,070</u>	<u>20,352</u>
Sub Total	<u>10,422,072</u>	<u>7,749,714</u>
Less:		
Paid Accrued Interest on Fixed Income Securities	(2,346)	(10,487)
Realized Loss	(20,316)	(1,949,239)
Unrealized Loss	(3,398,404)	(1,757,676)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(20,351)</u>	<u>(10,994)</u>
Sub Total	<u>(3,441,417)</u>	<u>(3,728,396)</u>
Net Investment Income	<u>8,887,494</u>	<u>5,972,660</u>
Income Required:		
Annuity Savings Fund	101,038	94,802
Annuity Reserve Fund	210,416	202,934
Military Service Fund	216	117
Expense Fund	<u>334,512</u>	<u>269,889</u>
Total Income Required	<u>646,182</u>	<u>567,742</u>
Net Investment Income	8,887,494	5,972,660
Less: Total Income Required	<u>646,182</u>	<u>567,742</u>
Excess Income To The Pension Reserve Fund	<u>\$8,241,312</u>	<u>\$5,404,918</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2006			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$2,288,880	2.7%	100%
Short Term	0	0.0%	
Fixed Income	1,335,196	1.6%	
Equities	6,219,990	7.4%	50%
Pooled Short Term Funds	0	0.0%	
Pooled Domestic Equity Funds	36,662,121	43.9%	
Pooled International Equity Funds	8,824,294	10.6%	
Pooled Global Equity Funds	0	0.0%	
Pooled Domestic Fixed Income Funds	28,170,041	33.7%	
Grand Total	\$83,500,522	100.0%	

For the year ending December 31, 2006, the rate of return for the investments of the Danvers Retirement System was 11.80%. For the five-year period ending December 31, 2006, the rate of return for the investments of the Danvers Retirement System averaged 7.02%. For the twenty-two year period ending December 31, 2006, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Danvers Retirement System was 9.42%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Danvers Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

May 2, 1996

20.03(1) Equity investments shall not exceed 50% of the total market value of the portfolio at the time of purchase.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Danvers Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Danvers Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

April 17, 2007

Members employed in a full-time capacity will receive one year of creditable service for each full calendar year in which the employee is receiving regular compensation for said service.

March 7, 2005

Military Buyback Plan

Purchase 1 Year Due six (6) months after acceptance date

Purchase 2 Years 50% due six (6) months after acceptance date

50% due eighteen (18) months after acceptance date

Purchase 3 Years 33% due six (6) months after acceptance date

33% due eighteen (18) months after acceptance date

33% due thirty (30) months after acceptance date

Purchase 4 years 25% due six (6) months after acceptance date

25% due eighteen (18) months after acceptance date

25% due thirty (30) months after acceptance date

25% due forty two (42) months after acceptance date

May 15, 2003

Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Board's supplementary rule regarding Authorization for Travel and Travel Related Expenses is approved.

August 14, 1985

Teacher aides who are regular employees working a full school year for a minimum of 20 hours or more each week and are permanent employees with a stated hourly or yearly rate of compensation shall be eligible for membership. Excluded from membership are teacher aides who are employed on a one-year basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 28, 1984

1) To be considered for membership applicant must be:

Regularly employed for 20 hours or more each week.

Be regularly employed with a stated hourly or yearly rate of compensation.

2) Creditable Service:

One years credit is to be granted for every (5) years of service for Call Firemen, up to a maximum of five years of creditable service, provided that such service as Call Firemen shall only be credited if such Call Firemen were later appointed as permanent members of the fire department.

All employed members whose regular work schedule for the calendar year is less than (40) hours per week, shall be given creditable service on a pro-rated basis on the average hours worked for the calendar year, except those employees specifically covered by Chapter 32, s.4 (2) (b) or any special law.

3) Benefits to Dependents who have attained age 18:

This section superseded by G.L. c.32, s.12B.

4) Policy for determining annual wage for computing allowance under Veteran's Act, G.L. c.32, s.56:

Shift differential to be computed on the actual number of shifts worked in the (12) twelve month period preceding the date of retirement.

Holiday pay will be figured at 1/5 of weekly rate for the number of paid holidays in a calendar year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Leonard A. Marshall

Appointed Member: Wayne P. Marquis Term Expires: 11/26/09

Elected Member: Robert J. Cyr Term Expires: 6/30/08

Elected Member: Dana M. Hagan Term Expires: 6/30/08

Appointed Member: Charles Lavasseur Term Expires: 9/2/10

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$1,000,000 Commercial Crime &
Elected Member:)	\$50,000,000 Fiduciary with Travelers
Appointed Member:)	Insurance Company (MACRS blanket
Staff Employee:)	Policy)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, Inc. as of January 1, 2007.

The actuarial liability for active members was	\$51,907,810
The actuarial liability for retired and inactive members was	<u>60,483,640</u>
The total actuarial liability was	112,391,450
System assets as of that date were	<u>80,141,766</u>
 The unfunded actuarial liability was	 <u>\$32,249,684</u>
The ratio of system's assets to total actuarial liability was	71.3%
As of that date the total covered employee payroll was	\$20,383,176

The normal cost for employees on that date was 8.00% of payroll

The normal cost for the employer was 4.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum
 Rate of Salary Increase: Varies by Calendar Year

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$80,141,766	\$112,391,450	\$32,249,684	71.3%	\$20,383,176	158.2%
1/1/2005	\$74,769,888	\$101,890,509	\$27,120,621	73.4%	\$18,845,955	143.9%
1/1/2003	\$72,105,466	\$96,413,574	\$24,308,108	74.8%	\$17,105,250	142.1%
1/1/2001	\$72,004,870	\$86,832,829	\$14,827,959	82.9%	\$15,110,384	98.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retirement in Past Years										
Superannuation	17	11	2	19	14	11	19	6	15	6
Ordinary Disability	1	0	0	0	0	0	0	0	0	1
Accidental Disability	0	0	0	0	0	0	1	0	0	2
Total Retirements	18	11	2	19	14	11	20	6	15	9
Total Retirees, Beneficiaries and Survivors	407	417	417	416	413	425	435	425	425	426
Total Active Members	401	432	435	456	442	437	447	465	452	454
Pension Payments										
Superannuation	\$2,200,725	\$2,305,103	\$2,633,956	\$3,000,225	\$3,248,587	\$3,391,473	\$3,674,895	\$3,693,739	\$3,863,768	\$4,176,199
Survivor/Beneficiary Payments	169,182	167,917	361,483	355,508	341,924	349,498	160,253	167,655	166,183	164,852
Ordinary Disability	55,927	43,233	43,728	43,728	43,728	45,699	45,699	67,377	64,653	64,115
Accidental Disability	399,137	400,248	425,838	420,383	416,421	417,658	426,469	487,761	487,461	478,258
Other	701,227	733,909	597,027	707,135	749,760	839,602	1,170,021	1,250,184	1,356,590	1,444,977
Total Payments for Year	<u>\$3,526,198</u>	<u>\$3,650,410</u>	<u>\$4,062,032</u>	<u>\$4,526,979</u>	<u>\$4,800,420</u>	<u>\$5,043,930</u>	<u>\$5,477,337</u>	<u>\$5,666,716</u>	<u>\$5,938,655</u>	<u>\$6,328,401</u>

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